000 industrial shares or bonds, local capital will continue to be held
455 in hoards, or invested in trade, agriculture and real estate. Speculation in land values, especially urban sites, has come to play a great part in the economy of Iraq, and incidently absorbs a great
000 deal of capital. The problem lies then not in the deficiency of capital resources, but in the utilization of these resources and above all in the creation of a suitable environment to induce private enterprise and capital into the industrial field. In the writer's view the creation of such an environment is the core of the industrialisation problem in under-developed areas. As things are, private enterprise is primarily absorbed in trade, agriculture and speculation — especially in real estate — where easy money can be made, and the whole economy remains stagnant. Once this problem is tackled both local and foreign capital will flow in. The State, that is the highest authority in a society, is called upon to take the initiative. Its action must include financial, technical, educational and administrative measures.

654 In Iraq the State has made attempts to deal with all these as-
433 pects. In the fiscal field it has afforded protection for industry in
[439] the form of high tariff duties on most industrial products and in the exemption of power-driven machinery from such duties. It has prohibited or restricted the import of articles the like of which are being manufactured in Iraq, such as cement, cotton yarn, vegetable oil, soap, tanned leather, beer. Industrial schemes are given priority in the granting of import licences and the allocation of scarce currencies for purchases from abroad.

The new Law for the Encouragement of Industry passed in 1950 consolidated early legislation and made new concessions. Under this Law Iraq-owned industrial enterprises, that is enterprises in which 55 per cent of capital at least is held by Iraqi nationals, are granted exemptions from income and surtaxes for four years; exemptions from import duties (not included in the tariff exemptions) on machinery, materials, equipment, spare parts and containers; exemptions from property tax for 10 years; and use of Government land free of rent up to 25,000 square meters. Industries enjoy these concessions as long as they use raw materials available in Iraq or produce goods imported in cosiderable quantities. In any case they should use chiefly power-driven machinery in their works. These measures without doubt played a significant part in

7: International Bank N, S-4 (1951) 1952 MH1 Iraq MH1

439 477 [455]

Competition, in fact, is quite keen in bulk commodities like sugar, tea and textiles. There is no organized market, either in export or import commodities, so that, as speculation is rife, prices can swing rapidly upward on the basis of rumored or actual shortage.

TABLE 10

439

IMPORTS INTO IRAQ (by value)
(in millions of dinars)

	1938	1947	1948	1949	1950
1. Sugar	0.5	1.7	3.7	2.2	4.8
2. Tea	0.4	2.3	2.1	2.8	2.9
3. Cereals and flour	—	0.2	2.3	1.1	—
4. Other food, beverages and tobacco	0.4	2.0	1.4	1.5	0.9
5. Cotton and rayon piece-goods	1.3	7.7	7.7	6.2	6.4
6. Other textiles and clothing[1]	0.9	4.0	3.4	2.9	3.0
7. Soap and matches	0.1	0.8	1.0	1.0	0.7
8. Cement and timber	0.5	1.6	1.6	1.0	0.4
9. Petroleum products	0.3	0.9	1.6	1.3	1.6
10. Iron and steel	1.1	4.8	5.0	4.9	3.7
11. Automobiles, trucks, and parts[2]	0.5	2.3	2.5	2.7	2.2
12. Machinery; electrical and other transport equipment	1.7	4.4	6.8	7.0	5.9
13. Miscellaneous	1.7	7.3	6.4	5.9	5.2
Total	9.4	40.0	45.5	40.5	37.6
Oil company imports[3]	1.0	5.1	9.5	10.3	8.4
Net	8.4	34.9	36.0	30.2	29.2

[1] Excluding burlap bags, rope, etc.

[2] Including tires and tubes.

[3] The majority of these imports were in categories 9 to 12. For example, oil company imports in these categories were about ID 8,000,000 in 1948 and ID 9,000,000 in 1949, out of a total of ID 16,000,000 in each year. Except for petroleum products, these goods were virtually all for the companies' own use rather than for resale.

Imports

Table 10 gives a list of the principal imports for 1938 and for the last four years. Broadly speaking, categories 1 to 7 represent the principal consumer goods, categories 8 to 12 fuel, building materials and capital equipment, and category 13 some consumer goods and some industrial raw materials. As the footnote to